



CENTRAL INTELLIGENCE AGENCY

Office of Legislative Liaison
Washington, D. C. 20505

Telephone: [redacted] 8 August 1984

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TO: Mr. Michael J. O'Neil, Chief Counsel
House Permanent Select Committee on Intelligence
Washington, D.C. 20515

Dear Mike:

The enclosed is for Chairman Boland
per our telephone conversation.

Best regards

[redacted]
Liaison Division
Office of Legislative Liaison

Enclosure

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Special Analysis

GRENADA: Economic Challenges Ahead

The interim governing council has inherited an economy beset by widespread unemployment, breakdowns in public services, and a depleted treasury. New aid donors already have promised nearly \$25 million worth of assistance and are considering more. Continued external aid will be required over the coming years to reorganize and rebuild the economy and lay the groundwork for sustained growth.

[REDACTED]

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Unemployment has risen to an estimated one-third of the work force as the ranks of the jobless have been joined by former members of the People's Revolutionary Army and the militia and by airport workers and others who were employed by the Cubans and Soviets. The country's infrastructure and basic services, which were damaged during the fighting or neglected by the previous regime, need repair and improvement. In addition, the departure of the Cubans, as well as other doctors, teachers, and technical personnel, temporarily disrupted health and education services. [REDACTED]

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Quick disbursement of US project aid has allowed the interim government to begin tackling these problems. US personnel are providing medical services, and the government has been able to replace many teachers with educators from neighboring Caribbean countries. [REDACTED]

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By the middle of the year, however, Grenada will face its normal seasonal low in tax receipts and foreign exchange earnings. This will intensify its budget problems. [REDACTED]

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The IMF is likely to oppose any increase in the already high tax rate on grounds that this would deter private investment. Moreover, major decreases in budget outlays probably would result in substantial layoffs—at least in the short run. This would damage the government politically. [REDACTED]

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Rebuilding the Economy

Over the long run, the government needs to reorganize the economy to revitalize the private sector and promote sustained recovery. The World Bank has recommended a variety of tactics to increase foreign exchange earnings by stimulating agriculture, tourism, and manufacturing. The recent designation of Grenada as a beneficiary under the US Caribbean Basin Initiative is likely to encourage private investment and production. [REDACTED]

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